

Message Text

UNCLASSIFIED

PAGE 01 PORT M 00869 270217Z

21

ACTION EB-07

INFO OCT-01 EA-09 ISO-00 OPR-02 XMB-04 OPIC-06 FEA-01

AGR-10 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05

CIEP-02 SS-15 STR-04 TAR-01 TRSE-00 USIA-15 PRS-01

SP-02 OMB-01 /116 W

----- 091221

R 270010Z AUG 75

FM AMCONSUL PORT MORESBY

TO SECSTATE WASHDC 813

INFO AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY SUVA

AMEMBASSY WELLINGTON

UNCLAS PORT MORESBY 0869

E.O. 11652: NA

TAGS: EFIN, EIND, EINV, PP

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS FOR PAPUA
NEW GUINEA

REF: STATE 165596

FOLLOWING IS THE INVESTMENT STATEMENT FOR PAPUA NEW GUINEA:

"THE INVESTMENT CLIMATE IS CHANGING IN PNG FOR THE BETTER.
ESTABLISHMENT OF THE NATIONAL INVESTMENT AND DEVELOPMENT
AUTHORITY WHICH SCREENS ALL FOREIGN INVESTMENT, PROMULGATION
OF A SCHEDULE OF INVESTMENT PRIORITIES, AND A LIST OF INVESTMENT
GUARANTEES, TOGETHER HAVE BROUGHT ABOUT MARKED IMPROVEMENT IN
PNG ATTITUDES TOWARD DFI AND INVESTORS ATTITUDES TOWARD THE
GPNG. SOME LOCAL GROUPS ARE STILL AGAINST DFI, BUT PRAGMATIC
GOVERNMENT LEADERS RECOGNIZE THE NEED FOR LARGE-SCALE FOREIGN
INVESTMENT FOR DEVELOPMENT OF PNG'S RICH NATURAL RESOURCES:

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 PORT M 00869 270217Z

COPPER, ZINC, NICKEL, GOLD, SILVER, AND POSSIBLE EXPLOITABLE

DEPOSITS OF OIL AND GAS PLUS A WEALTH OF FORESTRY AND FISHERY RESOURCES. PNG POLICIES TEND TO BE SOMEWHAT FLUID, BUT THE ECONOMIC PRESSURES WILL PROBABLY BE SUFFICIENT TO KEEP THE DOOR OPEN TO DFI UNLESS A SERIES OF UNFORTUNATE EPISODES SHOULD HAVE A DRASTIC IMPACT.

"EACH INVESTMENT PROJECT IS NEGOTIATED ON ITS OWN MERITS WITH NIDA AND THEN APPROVED BY CABINET. COMPANY TAXES ARE 33 1/3 PERCENT WITH AN EXCESS PROFITS TAX OF 70 PERCENT COMING INTO OPERATION WHEN THE FIRM ACHIEVES A NET PROFIT OF 15 PERCENT. WAGES ARE RELATIVELY HIGH FOR A DEVELOPING COUNTRY WITH THE MINIMUM URBAN WEEKLY WAGE US\$30.00 AND THE RURAL US\$15.00. INFLATION WAS 27.5 PERCENT IN 1973/74, BUT ONLY 7.5 PERCENT IN 1974/75. GOVERNMENT FISCAL POLICIES ARE CONSERVATIVE AND THE LOCAL CURRENCY, THE KINA, IS FREELY CONVERTIBLE. THE PNG RECEIVES SPECIAL TARIFF CONSIDERATIONS FROM AUSTRALIA AND THE UK, BUT OFFERS NONE ITSELF. LOCAL SOURCING IS ENCOURAGED, BUT IF GOODS OR SERVICES ARE UNAVAILABLE IN PNG, THE FIRM IS FREE TO LOOK ELSEWHERE. LOCALIZATION OF JOBS IS AN AIM OF THE GOVERNMENT, BUT IT IS FLEXIBLE, INSISTING ONLY THAT THE INVESTOR PROVIDE A SPECIFIC PROGRAM OF TRAINING FOR PAPUA NEW GUINEANS.

"MOST INVESTORS ARE INVOLVED IN JOINT VENTURES OR CONSORTIUMS. THE GOVERNMENT ALWAYS PROVIDES THE OPTION FOR IT TO TAKE UP EQUITY, RANGING FROM 25 PERCENT TO 51 PERCENT, IN AN INVESTMENT PROJECT. IT PREFERS, HOWEVER, TAXATION TO EQUITY PARTICIPATION IN MAJOR PROJECTS. NO PROBLEM IS CREATED BY EXTRATERRITORIAL APPLICATION OF HOST COUNTRY LAWS. ALTHOUGH THERE ARE AS YET NO TREATIES, TAXATION OR OTHERWISE, WITH THE U.S., THE GOVERNMENT WILL PROBABLY SIGN AN OPIC AGREEMENT SHORTLY AFTER INDEPENDENCE (SEPTEMBER 16, 1975). THE GPNG HAS NOT SIGNED ANY INTERNATIONAL PATENT CONVENTIONS AND MAY NOT DO SO IN THE IMMEDIATE FUTURE.

"BUSINESS VENTURES ARE LARGELY CONTROLLED BY AUSTRALIANS AND CHINESE, AND RECENTLY BY THE JAPANESE IN TIMBER AND FISHING. BOUGAINVILLE COPPER LTD. IS AN EXAMPLE OF WHAT THE GOVERNMENT WANTS FOR ITS RESOURCE DEVELOPMENT: A VENTURE WHICH BRINGS IN LARGE-SCALE CAPITAL, TECHNOLOGY, AND TRAINING FOR PAPUA NEW GUINEANS. AFTER INDEPENDENCE, OTHER COUNTRIES, ESPECIALLY JAPAN AND THE UNITED STATES, ARE EXPECTED TO PLAY A LARGER ROLE IN UNCLASSIFIED

UNCLASSIFIED

PAGE 03 PORT M 00869 270217Z

RESOURCE DEVELOPMENT.

"THERE IS PRESENTLY NO DIRECT AMERICAN INVESTMENT IN PNG, ALTHOUGH INDIRECT INVESTMENT EXISTS THROUGH AUSTRALIAN SUBSIDIARIES. SEVERAL MAJOR U.S. FIRMS ARE INTERESTED IN MINERALS EXPLOITATION, FORESTRY AND FISHERIES. KENNECOTT COPPER SPENT ALMOST US\$16 MILLION IN CURRENT VALUES OVER A TEN YEAR PERIOD ON THE OK TEDI COPPER PROSPECT BEFORE IT PULLED OUT EARLY THIS

YEAR. AUSTRALIA HAS DIRECT INVESTMENT VALUED AT APPROXIMATELY
US\$400 MILLION; THE UK HAS US\$20 MILLION; AND JAPAN HAS
US\$22 MILLION."
OLMSTED

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, DATA, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PORTM00869
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750296-0028
From: PORT MORESBY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750813/aaaaalgy.tel
Line Count: 119
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 14 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 FEB 2003 by ReddocGW>; APPROVED <30 JAN 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FOREIGN INVESTMENT CLIMATE AND STATISTICS FOR PAPUA NEW GUINEA
TAGS: EFIN, EIND, EINV, PP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006